

Message Text

SECRET

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ACTION ARA-06

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AMEMBASSY MOSCOW
AMEMBASSY PARIS
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USCINCSO QUARRY HEIGHTS CZ

S E C R E T QUITO 0204

LIMDIS

E.O. 11652: GDS
TAGS: BGEN, MASS, FR, IT, UR, EC
SUBJECT: SOVIETS, EUROPEANS USING MISSILES AS BAIT FOR AIR
TRAFFIC CONTROL SYSTEM

REF: QUITO 8048

1. SUMMARY: STEPPED-UP THIRD COUNTRY COMPETITION FOR \$100
MILLION PLUS CONTRACT FOR AIR TRAFFIC CONTROL SYSTEM IS JEO-
PARDIZING RAYTHEON'S CHANCES OF LANDING BID. OTHER COUNTRIES,
NOTABLY FRANCE AND ITALY, HAVE BEEN STRESSING AVAILABILITY OF
SURFACE TO AIR MISSILE SYSTEM TO INCLUDE IN PACKAGE. RECENTLY,
FOR THE FIRST TIME, SOVIETS HAVE ENTERED THE PICTURE EXPRESSING
THEIR WILLINGNESS TO BE AS FORTHCOMING AS THEY CAN ABOUT MISSILES
AND FINANCING. US EFFORT IS BEING HAMPERED BY OUR INABILITY
TO GIVE SOME HOPE TO GOE CONCERNING EVENTUAL ACQUISITION OF
I-HAWK SYSTEM. WITH OBJECT OF FOSTERING RAYTHEON SALE AND
FORESTALLING SOVIET EFFORTS, EMBASSY REQUESTS THAT DEPARTMENT
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APPROVE BRIEFING FOR I-HAWK FOR ECUADOR AS STALLING DEVICE
WHILE OTHER ALTERNATIVES EXAMINED. END SUMMARY

2. MISSION HAS BEEN ACTIVELY INVOLVED IN TRYING TO HELP
RAYTHEON CORPORATION SELL TO THE GOE AN AIR TRAFFIC CONTROL
SYSTEM, WHICH GOE REGARDS AS AN ESSENTIAL COMPONENT OF AN
INTEGRATED AIR DEFENSE SYSTEM. A NUMBER OF MEETINGS HAVE BEEN

HELD BETWEEN RAYTHEON AND MISSION PERSONNEL, AND THE MILITARY LIAISON OFFICE HAS LOBBYIED WITH THE ECUADOREAN AIR FORCE (FAE) ON BEHALF OF US COMPANIES IN THIS FIELD. THE AMBASSADOR HIMSELF CALLED BG LEORO, COMMANDER OF THE FAE AND SUPREME COUNCIL MEMBER, IN AN EFFORT TO GIVE A BOOST TO THE RAYTHEON BID.

3. ON JAN. 7 AND AGAIN ON JAN. 10 AN ECUADOREAN AIR FORCE (FAE) OFFICER RELAYING INSTRUCTIONS FROM THE FAE HIGH COMMAND INFORMED OUR MILITARY LIAISON OFFICE (MLO) THAT RAYTHEON CORPORATION'S BID TO CONSTRUCT AN AIR TRAFFIC CONTROL (ATC) SYSTEM FOR ECUADOR WAS IN TROUBLE. THE REASON IS THAT ECUADOR HAS THE IMPRESSION THAT IT HAS LITTLE CHANCE OF OBTAINING THE I-HAWK MISSILE SYSTEM WHICH ALSO HAPPENS TO BE MANUFACTURED BY RAYTHEON. THE OFFICER NOTED THAT OTHER COUNTRIES COMPETING FOR THE ATC SYSTEM (MOST NOTABLY FRANCE AND ITALY) WERE OFFERING COMPLETE SYSTEMS WHICH ALSO PROVIDED AIR DEFENSE CAPABILITY. DURING THE LAST CONVERSATION HE ADDED THAT RECENTLY THE SOVIET AMBASSADOR HAD SPOKEN PERSONALLY TO FAE COMMANDER AND JUNTA MEMBER BG LEORO AND HAD OFFERED TO SATISFY ECUADOR'S NEED FOR AN AIR DEFENSE MISSILE WITH FINANCIAL CONSIDERATIONS BEING SECONDARY. THE FAE OFFICER SAID THAT UNLESS THE US COULD "GUARANTEE" THAT IT WOULD PROVIDE THE I-HAWK THE FAE WOULD HAVE DIFFICULTY IN CHOOSING THE RAYTHEON SYSTEM.

4. OUR MLO REP RESPONDED THAT WE SIMPLY CANNOT GUARANTEE THAT THE I-HAWK WOULD BE SOLD TO ECUADOR AND THAT NO DECISION HAD YET BEEN MADE ON ECUADOR'S REQUEST FOR A BRIEFING.

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(WE HAVE DELAYED INFORMING THE FAE OF DEPARTMENT'S NEGATIVE RESPONSE TO THIS REQUEST SO AS NOT TO UPSET RAYTHEON NEGOTIATIONS FOR RADAR PACKAGE.) THE MLO REP SAID THAT THE ATC SYSTEM IS SEPARATE FROM, ALTHOUGH INTEGRAL TO, AIR DEFENSE, AND THAT RAYTHEON SYSTEM WOULD BE COMPATIBLE WITH ANYTHING THE FAE EVENTUALLY PURCHASED. ACTING ON PREVIOUS INSTRUCTIONS, HE ADDED THAT THE EMBASSY WOULD REQUEST THAT THE DEPARTMENT APPROVE A BRIEFING FOR THE FAE ON THE FULL RANGE OF US ANTI-AIRCRAFT WEAPONS SYSTEMS, INCLUDING THE I-HAWK, BUT THAT WE COULD PROMISE NOTHING.

5. WE FRANKLY ARE IN A QUANDARY AS TO HOW THE USG SHOULD DEAL WITH THIS MATTER AND WOULD APPRECIATE DEPARTMENT GUIDANCE. THE ATC SYSTEM IS VALUED AT \$100-150 MILLION AND WE WOULD LIKE TO SEE RAYTHEON WIN THE CONTRACT, PARTICULARLY WHEN IT SEEMS TO HAVE THE BEST SYSTEM. WE ARE NOT CONVINCED THAT THE I-HAWK WOULD BE THE MOST APPROPRIATE SYSTEM FOR ECUADOR AND UNDERSTAND THE POSSIBLE POLITICAL BACKLASH FROM SELLING IT HERE. ON THE OTHER HAND, WE UNDERSTAND THAT THE I-

HAWK AND THE SOVIET SAM-6 ARE THE BEST OF THE CURRENT GENERATION OF THE MEDIUM RANGE AIR DEFENSE MISSILES AND FAR BETTER THAN THE COMPETITION. THE THOUGHT OF THE SOVIETS MOVING INTO ANOTHER COUNTRY IN LATIN AMERICAN BECAUSE OF OUR INABILITY TO BE RESPONSIVE ON A DEFENSIVE, RPT DEFENSIVE WEAPONS SYSTEM IS ALSO UNPALATABLE. THUS WE SEEM TO BE LEFT WITH EQUALLY UNDESIRABLE ALTERNATIVES.

6. OUR BASIC REQUEST AT THIS POINT IS THAT THE FAE BE GIVEN AN IN-DEPTH BRIEFING ON ALL US ANTI-AIRCRAFT WEAPONS AT AN EARLY DATE. WE WOULD TELL THE FAE THAT OUR CONSENT TO THE BRIEFING DID NOT IMPLY ANY COMMITMENT TO SELL THE I-HAWK AND POINT OUT THAT WE ESPECIALLY CANNOT COMMIT A NEW ADMINISTRATION ON SUCH AN ISSUE. A BRIEFING WILL NOT SOLVE THE UNDERLYING ISSUES, NOR WILL IT MEET THE FAE REQUEST FOR A GUARANTEE OF SALE OF THE I-HAWK. IT MIGHT, HOWEVER, GIVE THE GOE SUFFICIENT HOPE OF GETTING THE I-HAWK THAT THE GOE WOULD
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GO AHEAD AND BUY THE RAYTHEON ATC SYSTEM ON ITS MERITS, SINCE THEY BELIEVE IT TO BE A GOOD SYSTEM AND CURRENTLY PREFER THE I-HAWK MISSILE. OUR HOPE IS THAT THE BRIEFING WOULD DEMONSTRATE THE HIGH COST, COMPLEXITY, AND LONG LEAD-TIME OF THE I-HAWK AND THAT WE COULD THEN STEER THE FAE TO A MORE ACCEPTABLE SYSTEM SUCH AS THE VULCAN/CHAPPARAL. THERE IS, NONETHELESS, A CONSIDERABLE LIKELIHOOD THAT WE WILL NOT BE ABLE TO DISCOURAGE THE FAE FROM REQUESTING THE I-HAWK AND THAT WE WILL HAVE TO FACE THE POLICY DECISION OF WHETHER OR NOT TO SELL IT TO ECUADOR.

7. A LAST-DITCH, FALL BACK WOULD BE TO CONSIDER A JOINT APPROACH WITH THE FRENCH GOVERNMENT. THE FRENCH-BUILT ROLAND MISSILE IS LESS SOPHISTICATED AND LESS EXPENSIVE THAN THE I-HAWK BUT MIGHT MEET THE FAE'S MINIMUM REQUIREMENTS. IT ALSO CONTAINS US MANUFACTURED COMPONENTS. WE MIGHT TRY WITH RAYTHEON TO SEEK FRENCH AGREEMENT TO A JOINT PACKAGE CONSISTING OF THE RAYTHEON ATC SYSTEM AND THE ROLAND MISSILE. WE WOULD THEREBY STAND A GOOD CHANCE OF GETTING THE PART OF THE PACKAGE WE WANT AND THE FRENCH WOULD IMPROVE THEIR CHANCES OF SELLING AT LEAST PART OF THE PACKAGE. THIS SHOULD BE ATTRACTIVE TO THE FRENCH SINCE THEY DO NOT SEEM TO HAVE THE INSIDE TRACK ON THE ATC SYSTEM AT THIS TIME. MOST IMPORTANT, IT WOULD EXCLUDE THE SOVIETS.

8. ACTION REQUESTED: WHATEVER WE DO MUST BE DONE IN THE NEAR FUTURE AS A DECISION BY THE GOE ON THE ATC SYSTEM IS IMMINENT. WE REQUEST WASHINGTON APPROVAL OF A BRIEFING ON US ANTI-AIRCRAFT SYSTEMS AS SOON AS POSSIBLE. WE WOULD ALSO APPRECIATE RECEIVING THE DEPARTMENT'S ADVICE AND GUIDANCE AS TO THE LARGER ISSUES INVOLVED IN THIS QUESTION.

BLOOMFIELD

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